

D.P.U. 95-55

Application of Eastern Edison Company, under the provisions of the Company's tariff, M.D.P.U. 245, for approval to implement the Company's temporary Purchased Power Cost Adjustment Factor E-9R.

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FOR: EASTERN EDISON COMPANY
Applicant

I. INTRODUCTION

On April 21, 1995, pursuant to G.L. c. 164, § 94G and 220 C.M.R. 8.00, Eastern Edison Company ("EECo" or "Company") applied to the Department of Public Utilities ("Department") for approval to implement a decrease in its purchased power cost adjustment ("PPCA"). The decrease represents the Company's proposal to replace the existing PPCA Factor E-9 with a proposed PPCA Factor E-9R, based on a decrease in EECo's demand costs under its wholesale tariff from Montaup Electric Company ("Montaup"). The Company requested that the decrease be applicable to usage on or after June 1, 1995. The matter was docketed as D.P.U. 95-55.

EECo is a wholly owned subsidiary of Eastern Utilities Associates ("EUA"), a utility holding company. EUA's other subsidiaries, affiliates of EECo, include Blackstone Valley Electric Company ("Blackstone") in Rhode Island, Newport Electric Corporation ("Newport") in Rhode Island, and EUA Service Corporation ("EUASC"), which provides engineering, technical, and other services for the EUA companies. Montaup Electric Company ("Montaup") is a wholly owned subsidiary of EECo and supplies power to EECo, Blackstone, and certain municipal electric utilities. EECo purchases all of its power requirements at wholesale from Montaup pursuant to rates regulated by the Federal Energy Regulatory Commission ("FERC"). Thus, EECo does not own or operate any power generation units of its own. EECo serves,

on average, 204,000 customers in its service territory, which includes over 20 cities and towns in southeastern Massachusetts.

Pursuant to notice duly issued, a public hearing on the Company's application was held on May 25, 1995 at the Department's offices in Boston. Notice of the hearing was published by the Company in the Fall River Herald News, the Quincy Patriot Ledger, the Brockton Enterprise, and the Boston Herald.

At the hearing, the company sponsored one witness: Mark Sorgman, supervisor of rate administration for EUA. The Company submitted one exhibit: Exhibit EE-1, a multi-page document entitled "Purchased Power Cost Adjustment Filing Factor E-9R," which includes the testimony of Mr. Sorgman, six schedules, of which five were revised on May 8, 1995, two appendices, and one workpaper.

II. BACKGROUND

EETCo's PPCA is designed to recover Montaup's demand-related charges to EETCo. The PPCA is derived from two components: (1) Montaup's base demand charge; and (2) Montaup's purchased capacity demand charge.

Montaup recovers the cost of power it generates through a FERC-approved base demand rate. However, Montaup also seeks alternate sources from which to purchase power in order to meet the contracted power supply demands of its affiliates. As a

result, each year, Montaup solicits cost estimates from alternate power suppliers. These estimates of annual cost are the basis of the Montaup's purchased capacity demand charge.

Annually, Montaup files at the FERC for an adjustment to the purchased capacity demand charge to become effective January 1. FERC reviews and approves the change in Montaup's purchased capacity demand charge which also is referred to as an adjustment of Montaup's purchased capacity adjustment clause ("PCAC") rate. Under the terms of the PPCA clause in EEC's tariff M.D.P.U. 245, whenever there is a decrease in Montaup's purchased capacity demand charge, EEC is required to file for a revision to its PPCA.

III. THE COMPANY'S PROPOSED PPCA E-9R FACTOR

On May 21, 1994, FERC accepted for filing Montaup's M-14 wholesale rate filing ("M-14"), designated as FERC Docket ER94-1062-000 (Exh. EE-1, at ii; Tr. at 11). Pursuant to a settlement agreement, Montaup received approval by the FERC for the permanent M-14 rate, effective April 1, 1995 (Exh. EE-1, at iii, iv; Tr. at 11). 0 According to the Company, it is seeking to implement Factor E-9R to reduce its base rates to its customers for costs incurred from Montaup associated with Montaup's permanent M-14 base demand charge (Exh. EE-1, at iii). The E-9R Factor will recover the difference in costs between Montaup's permanent M-14 base demand charges to EEC and the

level of base demand costs rolled into EECó's base demand rates in D.P.U. 92-148 (Exh. EE-1, at iii).

EECo provided schedules in support of its proposed PPCA Factor E-9R. (id., Schs. 1-6). As shown in Table 1, the EECó base demand revenue requirement currently included in base rates of \$71,201,176, as approved in D.P.U. 92-148, are subtracted from the EECó M-14 base demand revenue requirement of \$58,521,184, resulting in a M-14 base demand revenue requirement of a credit of \$12,679,990 (id., Sch. 2). This revenue requirement is divided by the total kilowatthour ("KWH") sales of 2,532,433,163 for the twelve-month period ending March 31, 1995, resulting in PPCA Factor E-9R of a credit of \$0.00501 per KWH proposed by the Company (id.).

EECo's proposed PPCA Factor E-9R of a credit of \$0.00501 per KWH represents a decrease of \$0.00070 per KWH from the Company's present PPCA Factor E-9 (id. at ii). In addition to PPCA Factor E-9R, EECó's present total PPCA includes Factor E-10 (PCAC), a credit of \$0.00106 per KWH (id., Sch. 1). Thus, EECó's PPCA Factor E-9R, as proposed, would reduce EECó's total PPCA from the present credit of \$0.00325 per KWH to the proposed credit of \$0.00395 per KWH (id.).

The Department finds that the Company's proposed decrease in its purchased power cost adjustment, which reflects the FERC-approved change in Montaup's PCAC is reasonable.

IV. ORDER

Accordingly, after due notice, public hearing, and consideration, it is

ORDERED: That Eastern Edison Company's proposed Power Cost Adjustment Factor E-9R proposed by Eastern Edison Company be and hereby is allowed; and it is

FURTHER ORDERED: That a Purchased Power Cost Adjustment Factor E-9R of (\$0.00501) per kilowatt hour ("KWH") is permitted to become effective for Eastern Edison Company with respect to bills rendered on and after June 1, 1995 and shall be applied as a uniform charge to each KWH sold on the applicable rates that are subject to the Company's purchased power cost adjustment provisions.

By Order of the Department,

Kenneth Gordon, Chairman

Mary Clark Webster, Commissioner